

KEY TAKEAWAYS

What Advisors Need to Know About Charitable Planning Before The End of The Year



For charitable clients with private foundations, did you know that they *can* make grants to for-profit organizations (FPOs)? However, the rules are complex. Advisors who understand these nuances can help clients avoid IRS pitfalls, structure grants correctly, and leverage philanthropy as part of holistic wealth planning. **Foundation Source's Chief Legal Officer Jeffrey D. Haskell** recently presented a webinar hosted by *Trusts & Estates* magazine to share some key considerations for year-end charitable planning. Susan Lipp, editor-in-chief of *Trusts & Estates* magazine, moderated the discussion.



JEFFREY D. HASKELL
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These are the key takeaways from the presentation.

Key Takeaways for Advisors

- **Charitable Purpose Is Non-Negotiable**

Grants to FPOs must serve an IRS-recognized charitable purpose—not just what feels charitable to the donor.

- **FPO = Vehicle, Not Beneficiary**

The for-profit entity is simply the instrument to deliver the charitable program. The benefit must flow to the charitable class, not the business.

- **Private Benefit Rules Apply**

Any benefit to private parties must be incidental:

- **Qualitative Test:** Unavoidable and necessary to achieve the charitable goal.
- **Quantitative Test:** Public benefit must outweigh private benefit, which must be minimized.

- **Document Everything**

Clearly state the charitable purpose, identify intended beneficiaries, justify why an FPO is the best choice, and show pricing is reasonable.

- **Choose the Right Instrument**

Grants, loans, or equity investments each have compliance implications. Grants provide the greatest private benefit because—unlike a loan or an investment—grants don't have to be repaid. Because foundations should always try to minimize private benefit, make sure that a grant is the best choice for achieving the charitable goal.

Other Important Points To Consider for Year-End Charitable Planning:

- **Foreign Grants Are Allowed**

Use equivalency determination or expenditure responsibility to ensure compliance when funding overseas charities.

- **Corporate Foundations Require Extra Care**

Keep company benefits incidental. Avoid self-dealing traps like leasing space, splitting event ticket costs, or satisfying pledges.

- **Real Estate in Foundations Brings Complexity**

Understand payout requirements, valuation rules, liquidity concerns, liability risks, and insider restrictions before accepting property donations.

- **Watch for Insider Transactions**

Self-dealing rules prohibit leases, sales, or services with insiders—even at favorable terms. Penalties can be severe.

Plan Ahead for This Year's Tax Changes

At the beginning of this year, the OBBBA introduced a 0.5% AGI floor for itemized charitable deductions and limits benefits for high-income taxpayers.

Next Steps for Advisors:

- Review clients' philanthropic goals and identify opportunities for strategic giving in 2026.
- Discuss compliance considerations for FPO grants and real estate contributions.
- Consider private foundations and/or donor-advised funds for clients seeking flexibility and tax efficiency.

To learn more about these key takeaways and other important insights, [check out the full conversation here.](#)

ABOUT FOUNDATION SOURCE

Foundation Source is the leading provider of philanthropic software and services.

At the forefront of PhilTech, Foundation Source is the partner of choice for flexible software and services that offer end-to-end support for private foundations, donor-advised funds and planned giving. We offer a range of purpose-built, cloud-based platforms that facilitate all stages of giving and a configurable suite of administrative, compliance, tax, and philanthropic advisory services for donors, nonprofits and charities, and professional advisors, including RIAs and financial institutions serving wealth management and private banking clients.

With over 100 years of combined experience, Foundation Source empowers people and companies to create a better world through philanthropy. We support more than 4,000 charitable organizations, administer more than \$40 billion in charitable assets, and facilitate more than 180,000 grants and planned gifts annually.

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